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ALTUS SOLUTIONS SDN BHD v. ROCKET INTEGRATION TECHNOLOGY SDN BHD

HIGH COURT MALAYA, KUALA LUMPUR
AZLAN SULAIMAN JC
[CIVIL SUIT NO: WA-22IP-64-10-2019]
B 7 FEBRUARY 2023

Abstract – *On account of the defendant having infringed the plaintiff's copyright and procuring a contract from the Government of Malaysia despite clear provisions in the contract against intellectual property infringement, the court awarded general damages, statutory damages and additional damages to the aggrieved party. There is no reason why the defendant could expect or demand the plaintiff or the court's sympathy in the amount of damages it should pay the plaintiff for any adverse circumstances that arose in the course of its infringement.*

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INTELLECTUAL PROPERTY: *Copyright – Infringement – Claim for damages – Assessment of – Whether there was foundation for claiming sums – Whether claims exorbitant – Whether general, statutory and additional damages awarded*

E ***DAMAGES:*** *Assessment of – Infringement of copyright – Whether there was foundation for claiming sums – Whether claims exorbitant – Whether general, statutory and additional damages awarded*

The plaintiff was an information technology solutions provider and its database management solution, software and web applications ('plaintiff's
F products') were used in clinical research, clinical survey and clinical trial for the purpose of managing and processing health information and clinical data. The plaintiff's two computer programs were known as 'eClinReg' and 'eClinReg HTML Code' ('computer programs'). From November 2010 to December 2018, the plaintiff was providing IT services ('IT services') to the
G patient registry of the Ministry of Health ('MOH'), either as contractor or subcontractor to the Government. The IT services included providing, offering and licensing the computer programs to the Government for use by MOH to support its patient's registry web application. The defendant was desirous of providing the IT services to MOH from 2019 onwards. To
H support the defendant's tender, it contacted and procured from the plaintiff two quotations for the IT services – one for six months and the other for three years – and a written confirmation of the plaintiff's willingness to provide the IT services to MOH on behalf of the defendant. When the plaintiff subsequently discovered that the defendant had made, created or developed
I a web application known as 'clinicalregistry.my' to provide the services to MOH, it brought this action against the defendant for damages and other

reliefs, alleging that the defendant's web application infringed its copyright in the computer programs. After a full trial, this court adjudged that the defendant's web application indeed infringed the plaintiff's copyright in the computer programs, and ordered, *inter alia*, the defendant to pay general, statutory and additional damages to the plaintiff ('judgment'). The plaintiff then moved the court under O. 37 of the Rules of Court 2012 to have its general damages assessed. The plaintiff contended that its general damages ought to be assessed by reference to the amounts it would have received from the defendant had the defendant obtained the IT services from the plaintiff and relied on the two quotations the defendant had obtained from it namely (i) IT services from 18 February 2019 to 17 August 2019 amounting to RM726,000; and (ii) IT services from 18 August 2019 to 18 August 2022 amounting to RM4,356,000. The plaintiff contended that it should be entitled to both. The plaintiff further contended that it was entitled to the sum of RM121,000 per month for the defendant's continued use of the IT services from 19 August 2022 onwards until the point in time the defendant's infringement actually ceased, whenever that may be. The defendant, however, submitted, *inter alia,* (i) the two quotations were not reflective of the services the defendant actually provided to MOH; (ii) its contract sum with MOH was much lower than the quotations; and (iii) the plaintiff's claims were exorbitant.

Held (ordering defendant to pay plaintiff damages):

(1) By not appealing against the judgment, the issue of the defendant's infringement of the plaintiff's copyright in providing IT services to MOH was closed. With that unqualified finding, the defendant could not now reopen any issue as to what services the defendant actually provided to MOH, its contract sum with MOH, how long they were provided and whether or not they all infringed the plaintiff's copyright. The plaintiff was unconcerned with and unaffected by the defendant's contract with the Government and/or MOH. Its only concern was that the defendant infringed its copyright. (paras 27-30)

(2) The judgment was clear that whether or not the plaintiff claimed an account of profits as an alternative to damages was entirely at the plaintiff's option. The plaintiff was perfectly entitled to investigate and enquire into the profit the defendant had obtained from the infringement, and was further perfectly entitled to opt for damages even after discovering that the quantum of damages would be higher. It was certainly under no obligation to accept the lower sum, nor could it be accused of bad faith in doing so. (para 31)

(3) The term 'exorbitant', whilst easily bandied about, was in itself subjective and relative. Here, the plaintiff directly connected the general damages it was claiming to the two quotations it issued to the defendant.

A There was therefore a foundation for claiming those sums. If the defendant alleged those quoted sums were exorbitant, it should have alleged that and adduced evidence to back the allegation. He who alleges must prove. The defendant failed to. (para 32)

(4) The defendant had no qualms in infringing the plaintiff's copyright and B securing a contract for itself from the Government. It entered into that contract on its own accord. This was in spite of a requirement by the Government that it should not commit copyright infringement in the provision of the services. Save for the plaintiff's discovery, the defendant was quite content to solely reap the rewards of that contract. C There was no reason why it could expect or demand the plaintiff or the court's sympathy in the amount of damages it should pay the plaintiff for any adverse circumstances that arose in the course of its infringement. The plaintiff was therefore awarded general damages of RM1,089,000. (paras 33 & 34)

D **(5)** On account of the defendant having infringed the plaintiff's copyright and procuring a contract from the Government of Malaysia despite clear provisions in the contract against intellectual property infringement, this court awarded additional damages of RM50,000. The plaintiff was also awarded the sum of RM50,000 as statutory damages. (paras 38 & 46)

E **Case(s) referred to:**

Kohwai & Young Publication (M) Sdn Bhd v. Lembaga Pengelola Dewan Bahasa Dan Pustaka [2013] 10 CLJ 365 HC ***(refd)***

Megnaway Enterprise Sdn Bhd v. Soon Lian Hock (No 2) [2009] 8 CLJ 130 HC ***(refd)***

Syarikat Faiza Sdn Bhd & Anor v. Faiz Rice Sdn Bhd & Anor And Another Suit [2019] 8 CLJ 564 HC ***(refd)***

F *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors [2011] 3 CLJ 837 FC* ***(refd)***

Legislation referred to:

Copyright Act 1987, s. 37(1)(b), (d), (2), (7), (8)

Rules of Court 2012, O. 37 r. 1

G *For the plantiff - Mark La Brooy & Himin Ng; M/s Raja, Darryl & Loh*
For the defendant - Nurhidayathy Maidin; M/s Nur Maidin & Co

Reported by Suhainah Wahiduddin

JUDGMENT

H **Azlan Sulaiman JC:**

Introduction

[1] This judgment is on the general, statutory and additional damages awarded to the plaintiff on account of the defendant's infringement of the I plaintiff's copyright. Considerations in the award of damages included the fact that the defendant had, under pretext, sought the plaintiff's quotation for

IT services, and then surreptitiously infringed the plaintiff's copyright to the plaintiff's products to procure a contract to supply the same services to the Ministry of Health ("MOH").

Salient Background

[2] The plaintiff is an information technology solutions provider. Its database management solution, software and web applications (collectively, "the plaintiff's products") are used in clinical research, clinical survey and clinical trial for the purpose of managing and processing health information and clinical data. Accordingly, the primary and target users of the plaintiff's products are stakeholders and traders in the healthcare (medical and clinical), pharmaceutical, biotechnology and medical device industries, both in the public and private sectors. The plaintiff's two computer programs relevant to this case are known as "eClinReg" and "eClinReg HTML Code" ("the computer programs").

[3] From as early as November 2010 up to December 2018, the plaintiff was providing IT Services ("the IT Services") to the patient registry of the MOH, either as contractor or subcontractor to the Government. The IT services included providing, offering and licensing the computer programs to the Government for use by MOH to support its patient's registry web application. In short, the plaintiff had a history of providing the IT Services to the MOH.

[4] The defendant was desirous of providing the IT Services to MOH from 2019 onwards. To support the defendant's tender, in the middle of January 2019 it contacted and procured from the plaintiff two quotations for the IT Services – one for six months and the other for three years – and a written confirmation of the plaintiff's willingness to provide the IT Services to MOH on behalf of the defendant. That was the last the plaintiff heard of that.

[5] When the plaintiff subsequently discovered that the defendant had made, created or developed a web application known as "clinicalregistry.my" to provide the services to MOH, it brought this action against the defendant for damages and other relief, alleging that the defendant's web application infringed its copyright in the computer programs.

[6] After a full trial, on 21 July 2022, this court adjudged that the defendant's web application indeed infringed the plaintiff's copyright in the computer programs, and ordered, *inter alia*, the defendant to pay general, statutory and additional damages to the plaintiff. These damages were to be assessed, with interest @ 5% per annum being imposed on the amount assessed from the date of judgment until full settlement. Costs was to be ordered after the assessment is carried out ("the judgment").

[7] The plaintiff then moved the court under O. 37 of the Rules of Court 2012 to have its general damages assessed, and elected to have that done by affidavit and written submissions. The parties filed the following affidavits:

(i) afidavit sokongan ("plaintiff's first affidavit");

(ii) afidavit jawapan defendan ("defendant's first affidavit");

(iii) afidavit jawapan ("plaintiff's second affidavit"); and

(iv) afidavit balasan defendan ("defendant's second affidavit").

[8] It is important to note that, even though in the judgment this court granted the plaintiff at its option the alternative of claiming an account of profits instead of general damages, the plaintiff is not doing so. It wants damages.

[9] It is further important to note that the defendant did not appeal against the judgment. Thus, the findings of this court on the defendant's liability is unchallenged.

Damages For Copyright Infringement, Generally

[10] In *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors* [2011] 3 CLJ 837; [2011] MLJU 1523, Richard Malanjum CJ (Sabah & Sarawak) (later CJ) said:

> Damages for the infringement of intellectual property rights are tortious in nature. Their objective is to restore the claimant to the position he would have been in had the defendant not infringed.

[11] In *Megnaway Enterprise Sdn Bhd v. Soon Lian Hock (No 2)* [2009] 8 CLJ 130; [2009] 3 MLJ 525, Low Hop Bing J (as he then was), set out extensively the "principles governing assessment of damages with specific reference to the tort of infringement of copyright". They included the following:

(i) the successful plaintiff in an infringement action is entitled to *restitutio in integrum* (restoration to the original position) by way of compensation for any harm, caused to him, which flows directly and naturally from the tortious act;

(ii) the court in assessing damages may:

(a) treat the damages as being at large, awarding an amount which it thinks appropriate in the circumstances of the case; or

(b) apply the 'licence fee' approach;

(iii) the 'at large' approach is to be preferred when it is impractical to use the 'licence fee' approach, in particular where licences are not used in the plaintiff's business and the plaintiff sells its products directly and indirectly through authorised dealers;

(iv) in the assessment of damages at large, the court may consider:

(a) the depreciation caused by the infringement to the value of the copyright as a chose in action;

(b) the fact that a pirated work has injured the reputation of the copyright owner and vulgarised the original work; and

(c) the 'loss of sales' resulting from the infringing acts;

(v) the court would award a fair figure for compensation if the quantification of it is difficult, or not susceptible of mathematical accuracy; and

(vi) section 37(2) of the Act allows the award of additional damages having regard to the flagrancy of the infringement, any benefit which may have accrued to the defendant by reason of the infringement; and all other material considerations, including the defendant's conduct.

[12] It also goes without saying that the award of damages must be based on the evidence adduced, and on the facts and the circumstances of the case, and not on conjecture and refutation. This is to guard against awarding the successful party more than is fairly and justly due.

Assessing Damages On The Judgment

[13] I am sure that the various relief in the statement of claim were sought by conscientious craft and design and certainly not by chance. Naturally, the first was the declaration of infringement, followed by the relief consequential to that. These were:

(i) injunctions to stop the infringement, any further infringement, and the removal of the infringing web application, within seven days (prayers (ii) and (iii)) ("the injunctive orders");

(ii) an order for full and frank disclosure and discovery of the extent to which the defendant had infringed the plaintiff's copyright, including dealings with third parties, within seven days (prayer (iv)) ("the disclosure order");

(iii) damages or an account of profits, at the plaintiff's option (prayers (v) and (vi));

(iv) statutory damages under s. 37(1)(d) of the Act (prayer (vii));

(v) additional damages under s. 37(7) of the Act (prayer (viii));

(vi) a public apology (prayer (ix));

(vii) interest on damages (prayer (x)); and

(viii) costs (prayer (xi)).

[14] I would further imagine that the disclosure order in the judgment was not only to discover the extent to which the defendant had infringed the plaintiff's copyright, but would also assist the plaintiff in ascertaining the damages it should claim from the defendant.

[15] Under O. 37 r. 1 of the Rules of Court 2012, upon a party entitled to damages applying for directions for assessment, the court then issues directions for those proceedings. In this case, the evidence of damages claimed was to be adduced by affidavit. It would necessarily follow that a prudent plaintiff would proceed with the assessment of damages only after it had enforced the disclosure order and obtained all the information it needed, so as to have greater clarity on the damages it wished to claim. The seven-day period in the disclosure order would mean that that information would be forthcoming before the assessment proceedings. If it opted to do so without enforcing the disclosure order, then it may run the risk of going into the assessment proceedings without as much information as it could possibly have gathered.

[16] From the date of the judgment on 21 July 2022 up until the date the plaintiff filed the first plaintiff's affidavit on 8 September 2022, there were no proceedings to enforce the disclosure order. I will therefore assume that, by proceeding with the assessment, the plaintiff had already discovered all the information it needed to for its damages, more so when there can only be one assessment proceedings.

General Damages

[17] General damages is provided for under s. 37(1)(b) of the Copyright Act 1987.

[18] Applying the general principles for awarding damages for copyright infringement, the plaintiff rightly contends that the purpose is to restore the plaintiff to the position it would have been in if the defendant had not infringed the plaintiff's copyright in the programs.

[19] The plaintiff contends that its damages ought to be assessed by reference to the amounts it would have received from the defendant had the defendant obtained the IT Services from the plaintiff.

[20] Firstly, the plaintiff relies on the two quotations the defendant obtained from it in January 2022, namely:

(i) IT Services from 18 February 2019 – 17 August 2019:	RM726,000
(ii) IT Services from 18 August 2019 – 18 August 2022:	RM4,356,000 (RM1,452,000 p.a.)

[21] The plaintiff contends that it should be entitled to both, as it believes that the defendant is infringing its copyright up until to date. That comes up to a combined total of RM5,082,000.

[22] Secondly, based on the two quotations, the plaintiff further contends that it is entitled to the sum of RM121,000 per month for the defendant's continued use of the IT Services from 19 August 2022 onwards until the point in time the defendant's infringement actually ceases, whenever that may be.

[23] The defendant, however, adduced evidence of a surat setuju terima dated 7 February 2019 from MOH accepting its tender for six months from 18 February 2019 to 17 August 2019 at the contract sum of RM309,096, and a further letter dated 22 July 2019 from MOH extending the contract period from 18 August 2019 to 17 November 2019 at the additional contract sum of RM154,194.

[24] There being no evidence of any further extension or new surat setuju terima after that, I can only conclude that the defendant had infringed the plaintiff's copyright for only that nine-month period.

[25] Based on the two quotations, the plaintiff's damages for that nine-month period would be RM1,089,000. The calculations are:

$$\frac{\text{RM726,000}}{6} \times 9 = \frac{\text{RM1,452,000}}{12} \times 9 = \text{RM1,089,000}$$

[26] Even though the defendant alleges that:

(i) the two quotations are not reflective of the services the defendant actually provided to MOH;

(ii) its contract sum with MOH is much lower than the quotations;

(iii) that some of the services it provided to MOH did not infringe the plaintiff's copyright;

(iv) that the defendant's provision of the services was suspended in October 2019;

(v) that the plaintiff is only entitled to the profits the defendant actually made in providing the services to MOH; and/or

(vi) the plaintiff's claims are exorbitant.

I would reject all of these defendant's objections for several reasons.

[27] Firstly, by not appealing against the judgment, the issue of the defendant's infringement of the plaintiff's copyright in providing the IT Services to MOH is closed. With that unqualified finding, the defendant

cannot re-open any issue as to what services the defendant actually provided to MOH, its contract sum with MOH, how long they were provided and whether or not they all infringed the plaintiff's copyright.

[28] Secondly, even if we could re-open those issues, the defendant's evidence on them is scant.

[29] Thirdly, if any of those allegations were indeed the case, then the defendant should have made the MOH a party to the plaintiff's claim or in the very least called officers from MOH to testify for it at the trial, which it did not.

[30] Fourthly, the plaintiff is unconcerned with and unaffected by the defendant's contract with the Government and/or MOH. Its only concern is that the defendant infringed its copyright.

[31] Fifthly, the judgment is clear that whether or not the plaintiff's claims an account of profits as an alternative to damages is entirely at the plaintiff's option. With that in the judgment, the plaintiff is perfectly entitled to investigate and enquire into the profit the defendant had obtained from the infringement, and was further perfectly entitled to opt for damages even after discovering that the quantum of damages would be higher. It was certainly under no obligation to accept the lower sum, nor could it be accused of bad faith in doing so.

[32] Sixthly, the term "exorbitant", whilst easily bandied about, is in itself subjective and relative. Here, the plaintiff directly connected the general damages it was claiming to the two quotations it issued to the defendant. There was therefore a foundation for claiming those sums. If the defendant alleged those quoted sums were exorbitant, it should have alleged that and adduced evidence to back the allegation. He who alleges must prove. The defendant failed to.

[33] I would also add that the defendant had no qualms in infringing the plaintiff's copyright and securing a contract for itself from: the Government. It entered into that contract on its own accord. This was in spite of a requirement by the Government that it should not commit copyright infringement in the provision of the services. Save for the plaintiff's discovery, the defendant was quite content to solely reap the rewards of that contract. Thus, I see no reason why it can expect or demand the plaintiff or the court's sympathy in the amount of damages it should pay the plaintiff for any adverse circumstances that arise in the course of its infringement.

[34] I would therefore award general damages of RM1,089,000.

Statutory Damages

[35] Statutory damages is provided for under s. 37(1)(d) of the Copyright Act 1987, as follows:

> statutory damages of not more than twenty-five thousand ringgit for each work, but not more than five hundred thousand ringgit in the aggregate.

[36] Additional considerations for awarding statutory damages are set out in s. 37(8) of the Act.

[37] Nevertheless, there is no need to delve further into this because the parties had unwittingly come to a consensus on the amount. In para. 12.6 of the plaintiff's first affidavit, the plaintiff sought the sum of RM50,000 as statutory damages, and in para. 37.1 of the defendant's first affidavit, the defendant conceded that the plaintiff was entitled to this sum.

[38] I therefore awarded the plaintiff the sum of RM50,000 as statutory damages.

Additional Damages

[39] Section 37(7) of the Act provides:

> Where in an action under this section an infringement of copyright or the commission of a prohibited act under section 36A or 36B is established, the court may, in assessing damages for the infringement or commission of the prohibited act, award such additional damages as it may consider appropriate in the circumstances if it is satisfied that it is proper to do so having regard to:
>
> (a) the flagrancy of the infringement or prohibited act;
>
> (b) any benefit shown to have accrued to the defendant by reason of the infringement or prohibited act; and
>
> (c) all other relevant matters.

[40] In *Megnaway Enterprise Sdn Bhd v. Soon Lian Hock (No 2)* [2009] 8 CLJ 130; [2009] 3 MLJ 525, Low Hop Bing J (as he then was) said:

> For the purpose of [the then 37(2) CA], 'flagrancy' means 'the existence of scandalous conduct, deceit and such like', including 'deliberate and calculated copyright infringements, infliction of humiliation and loss, and dishonesty' *Ravencroft v. Herbert* [1980] RPC 193 at 208 ...

[41] In *Kohwai & Young Publication (M) Sdn Bhd v. Lembaga Pengelola Dewan Bahasa Dan Pustaka* [2013] 10 CLJ 365, Abang Iskandar J (now PCA) said:

> Even at common law, exemplary damages will ordinarily be awarded against a defendant who has engaged in conscious wrongdoing in contumelious disregard of another's rights. (see the case of *Gray v. Motor Accident Commission* [1998] 196 CLR 1). What is patently clear is that the

A 'additional damages' sought by the plaintiffs are those grounded as they were in the statute book. Assistance in construing the nature of the discretion as envisaged under s. 37(2) of our Copyright Act 1987 may however, be had from reading the Australian case of *Sullivan v. FNH Investments Pty Ltd* [2003] 57 IPR 63, where Jacobsen J had said that the assessment of additional damages pursuant to s. 115(4) is at large and that
B the discretion of the court is not fettered in any arithmetic or mathematical way.

It is also noted that the word 'flagrancy' as appears in s. 37(2) of our Copyright Act 1987, it is not defined therein or anywhere in the said Act. Again, a reference may indeed be made to the case of *Scientific International*
C *Pty Ltd v. SC Johnson & Sons Pty Ltd* [1998] 43 IPR 275 where it was said that 'flagrancy' involved calculated disregard of the plaintiff's rights, or a cynical pursuit of benefit. The earlier cited case of *Aristocrat* (*supra*) also had ruled that awards of further damages were intended to deter infringing conduct and that in that sense an element of penalty was therefore deemed acceptable. I would venture to add here that the court
D in the *Scientific International Pty Ltd* case (*supra*) had assigned to the word 'flagrancy' an open-ended interpretation rather than a restrictive meaning. To my mind, its interpretation of the word is not inconsistent with what the same word is intended to convey as employed under s. 37(2) of our Copyright Act 1987. Having taken that position, it is my considered view that the conduct of the defendants in this case before me had amounted
E to flagrancy and that they had benefited from their infringements of the plaintiffs' copyrights over the three drawings. The above considerations had convinced me to award the additional damages as provided for under s. 37(2) of the Copyright Act 1987 to the plaintiffs as prayed for by them. Under the circumstances of this case, I therefore also order the defendants to pay the plaintiffs additional damages under s. 37(2) of the
F said Act amounting to RM50,000 as they had been benefiting and flagrantly infringing the copyrights over the three drawings from the date of receipt of a letter from the plaintiff's solicitors until they finally removed the three drawings from P5 and replaced them with graphic drawings for the three animals only in 2006 ...

G **[42]** In *Syarikat Faiza Sdn Bhd & Anor v. Faiz Rice Sdn Bhd & Anor And Another Suit* [2019] 8 CLJ 564; [2018] MLJU 1749, Wong Kian Kheong J (as he then was) awarded the plaintiff a global sum of RM100,000 as additional, exemplary and aggravated damages because:

H (i) the defendants' infringement of the first plaintiff's copyright in the six works was of a commercial nature;

(ii) the infringement was flagrant;

(iii) the defendants had acted in bad faith in that they had:

I (a) maliciously claimed copyright in the six works and counterclaimed that the plaintiffs had infringed its copyright in the six works;

(b) had affirmed false statutory declarations to support the defendants' claim to the copyright in the six works and to oppose the plaintiffs' interlocutory injunction application;

(c) affirmed a false affidavit to resist the plaintiffs' interlocutory injunction application; and

(d) suppressed material evidence at the trial;

(iv) the first plaintiff had suffered extensive loss due to the defendants' copyright infringement;

(v) the defendants had derived benefit from the copyright infringement; and

(vi) there is a need to deter the defendants and other like-minded persons from committing copyright infringement.

[43] The plaintiff accordingly sought additional damages of RM100,000.

[44] However, even though the defendant here had under pretext sought the plaintiff's quotation for IT Services, and then surreptitiously used the plaintiff's products to supply the same services to the Ministry of Health, Malaysia, its conduct here was not anywhere near the level of the defendants in the *Faiza* case.

[45] Further, in the *Faiza* case the plaintiffs had, apart from general, statutory and additional damages, expressly sought exemplary and aggravated damages, which the plaintiff here did not. Justice Wong Kian Kheong's award of RM100,000 was for additional, exemplary and aggravated damages.

[46] Following the cue in the *Kohwai & Young Publication* case, and on account of the defendant having infringed the plaintiff's copyright and procuring a contract from the Government of Malaysia despite clear provision in the contract against intellectual property infringement, I would award additional damages of RM50,000.

Conclusion

[47] I would therefore order the defendant to pay to the plaintiff damages totalling RM1,189,000 consisting of the following:

(i)	General damages:	RM1,089,000
(ii)	Statutory damages:	RM 50,000
(iii)	Additional damages:	RM 50,000
		RM1,189,000

[48] As for costs, after hearing counsel, I made a global order of costs of RM50,000 for the full trial and for the assessment of damages proceedings, subject to allocator.